

**REPORT OF THE AUDIT OF THE
CALDWELL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**

**ROMAINE & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CALDWELL COUNTY FISCAL COURT

June 30, 2005

Romaine & Associates, PLLC has completed the audit of the Caldwell County Fiscal Court for fiscal year ended June 30, 2005. We have issued unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Caldwell County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$ 4,420,186 as of June 30, 2005. The fiscal court had unrestricted net assets of \$ 1,380,808 in its governmental activities as of June 30, 2005, with total net assets of \$ 4,377,986. In its enterprise fund, total net cash and cash equivalents were \$ 33,057 with total net assets of \$ 42,200. The fiscal court had total debt principal as of June 30, 2005 of \$ 3,137,527 with \$ 190,537 due within the next year.

Deposits:

The fiscal court deposits were not fully insured and collateralized by bank securities or bonds. The unsecured amount at June 30, 2005 was \$165,180.

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Krista Romaine, CPA, Member
Charlotte Clark, Member

Romaine *and* Associates PLLC

William Erwin, CPA
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CERTIFIED PUBLIC ACCOUNTANTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Van Knight, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caldwell County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Caldwell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Caldwell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Caldwell County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting as described in Note. 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statement. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

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AICPA KSCPA TSCPA

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
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Honorable Van Knight, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Caldwell County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2006 on our consideration of Caldwell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Krista L. Romaine, CPA

Krista L. Romaine, CPA
Romaine & Associates, PLLC

Audit fieldwork completed -
February 24, 2006

CALDWELL COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

Van Knight	County Judge/Executive
Elbert Bennett	Magistrate
Shirley B. Gray	Magistrate
Sandy Boaz	Magistrate
George B. Kilgore	Magistrate

Other Elected Officials:

James "Bridgie" Miller	County Attorney
Jim Blackburn	Jailer
Toni Watson	County Clerk
Stan Hudson	Sheriff
Jimmy Wallace	Property Valuation Administrator
Eddie Pennington	Coroner

Appointed Personnel:

Connie Cartwright	County Treasurer
Janie Kirk	Occupational Tax Collector
Betty Holt	Finance Officer

CALDWELL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

CALDWELL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,380,808	\$ 33,057	\$ 1,413,865
Total Current Assets	<u>1,380,808</u>	<u>33,057</u>	<u>1,413,865</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	\$ 344,699	\$ -	\$ 344,699
Buildings	4,487,578		4,487,578
Vehicles and Equipment	772,782	9,143	781,925
Infrastructure Assets - Net of Depreciation	<u>529,646</u>		<u>529,646</u>
Total Noncurrent Assets	<u>\$ 6,134,705</u>	<u>\$ 9,143</u>	<u>\$ 6,143,848</u>
Total Assets	<u>\$ 7,515,513</u>	<u>\$ 42,200</u>	<u>\$ 7,557,713</u>
LIABILITIES			
Current Liabilities			
Financing and General Obligations Bonds	\$ 190,537		\$ 190,537
Total Current Liabilities	<u>\$ 190,537</u>		<u>\$ 190,537</u>
Noncurrent Liabilities:			
Due In More Than One Year	<u>2,946,990</u>		<u>2,946,990</u>
Total Noncurrent Liabilities	<u>\$ 2,946,990</u>	<u>\$ -</u>	<u>\$ 2,946,990</u>
Total Liabilities	<u>\$ 3,137,527</u>	<u>\$ -</u>	<u>\$ 3,137,527</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 2,997,178	\$ 9,143	\$ 3,006,321
Unrestricted	<u>1,380,808</u>	<u>33,057</u>	<u>1,413,865</u>
Total Net Assets	<u>\$ 4,377,986</u>	<u>\$ 42,200</u>	<u>\$ 4,420,186</u>

The accompanying notes are an integral part of the financial statements

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CALDWELL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CALDWELL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,717,279	\$ 43,741	\$ 371,262	\$ -
Protection to Persons and Property	1,526,321	78,812	383,193	352,248
General Health and Sanitation	138,594	1,445		129,350
Social Services	18,627			
Recreation and Culture	104,919			59,998
Roads	412,199		822,827	139,500
Airports	15,241			
Debt Service	219,285			
Total Governmental Activities	\$ 4,152,465	\$ 123,998	\$ 1,577,282	\$ 681,096
Business-type Activities:				
Jail Canteen	\$ 39,597	\$ 45,024		
Total Business-type Activities	39,597	# 45,024	0	0
Total Primary Government	\$ 4,192,062	\$ 169,022	\$ 1,577,282	\$ 681,096

General Revenues:

Taxes:
Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes
Excess Fees
Interest Earned
Miscellaneous Revenues
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning (Restated)
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,302,276)	\$	\$ (1,302,276)
(712,068)		(712,068)
(7,799)		(7,799)
(18,627)		(18,627)
(44,921)		(44,921)
550,128		550,128
(15,241)		(15,241)
(219,285)		(219,285)
<u>\$ (1,770,089)</u>		<u>\$ (1,770,089)</u>
	\$ 5,427	\$ 5,427
<u>0</u>	<u>5,427</u>	<u>5,427</u>
<u>(1,770,089)</u>	<u>5,427</u>	<u>(1,764,662)</u>
269,804		269,804
44,444		44,444
69,058		69,058
1,498,743		1,498,743
3,029		3,029
28,511	188	28,699
32,265		32,265
<u>\$ 1,945,854</u>	<u>\$ 188</u>	<u>\$ 1,946,042</u>
175,765	5,615	181,380
4,202,221	36,585	4,238,806
<u>\$ 4,377,986</u>	<u>\$ 42,200</u>	<u>\$ 4,420,186</u>

The accompanying notes are an integral part of the financial statements.

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CALDWELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

CALDWELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	General Fund	Road and Bridge Fund	LGEA Fund
ASSETS			
Cash and Cash Equivalents	\$ 466,335	\$ 699,713	\$ 160,685
Total Assets	<u>\$ 466,335</u>	<u>\$ 699,713</u>	<u>\$ 160,685</u>
 FUND BALANCES			
Reserved for:			
Encumbrances	\$ 4,076	\$ 35,548	\$ 300
Unreserved:			
General Fund	462,259		
Special Revenue Funds		664,165	160,385
Total Fund Balances	<u>\$ 466,335</u>	<u>\$ 699,713</u>	<u>\$ 160,685</u>

Reconciliation to Statement of Changes In Net Assets:

Total Fund Balances

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

Capital Assets Used in Governmental Activities Are Not Financial Resources

And Therefore Are Not Reported in the Funds.

Accumulated Depreciation

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.

Financing Obligations

Bonded Debt

Net Assets Of Governmental Activities

CALDWELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 54,075	\$ 1,380,808
<u>\$ 54,075</u>	<u>\$ 1,380,808</u>

\$ 4,841 \$ 44,765

462,259
49,234 873,784

\$ 54,075 \$ 1,380,808

\$ 1,380,808

7,457,649
(1,322,944)

(467,527)
(2,670,000)

\$ 4,377,986

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CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>LGEA Fund</u>
REVENUES			
Taxes	\$ 1,738,623	\$	\$
In Lieu Tax Payments	36,641		
Excess Fees	3,029		
Licenses and Permits	43,726		
Intergovernmental	1,080,179	962,327	172,603
Charges for Services			
Miscellaneous	49,052	12,582	1,545
Interest	22,502	4,622	1,069
Total Revenues	<u>\$ 2,973,752</u>	<u>\$ 979,531</u>	<u>\$ 175,217</u>
EXPENDITURES			
General Government	\$ 824,909	\$ -	\$ 23,792
Protection to Persons and Property	753,938		100,200
General Health and Sanitation	40,325		39,970
Social Services	17,700		927
Recreation and Culture	101,592		
Roads		297,274	37,874
Airports	15,241		
Debt Service	688,500		
Capital Projects	241,614	455,368	15,700
Administration	342,476	102,812	10,907
Total Expenditures	<u>\$ 3,026,295</u>	<u>\$ 855,454</u>	<u>\$ 229,370</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (52,543)</u>	<u>\$ 124,077</u>	<u>\$ (54,153)</u>
Other Financing Sources (Uses)			
Transfers From Other Funds	\$ 88,392	\$ -	\$ -
Transfers To Other Funds	(432,840)	(88,392)	
Total Other Financing Sources (Uses)	<u>\$ (344,448)</u>	<u>\$ (88,392)</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ (396,991)	\$ 35,685	\$ (54,153)
Fund Balances - Beginning	863,326	664,028	214,838
Fund Balances - Ending	<u>\$ 466,335</u>	<u>\$ 699,713</u>	<u>\$ 160,685</u>

The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 41,718	\$ 1,780,341
	36,641
	3,029
	43,726
356,885	2,571,994
78,812	78,812
9,577	72,756
317	28,510
<u>\$ 487,309</u>	<u>\$ 4,615,809</u>
\$ -	\$ 848,701
624,964	1,479,102
	80,295
	18,627
	101,592
	335,148
	15,241
32,046	720,546
129,350	842,032
109,980	566,175
<u>\$ 896,340</u>	<u>\$ 5,007,459</u>
<u>\$ (409,031)</u>	<u>\$ (391,650)</u>
\$ 432,840	\$ 521,232
	(521,232)
<u>\$ 432,840</u>	<u>\$ -</u>
23,809	(391,650)
30,266	1,772,458
<u>\$ 54,075</u>	<u>\$ 1,380,808</u>

The accompanying notes are an integral part of the financial statements.

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**CALDWELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

CALDWELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (391,650)
--	--------------

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	842,031
Depreciation Expense	(250,746)

A sale of assets is recorded as revenue in the fund financials. However, in the Statement of Activities only the gain or loss on the sale of capital assets is recorded.

Disposal of assets, net book value	(525,131)
------------------------------------	-----------

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations Principal Amount	421,261
Bond Payments	80,000

Change in Net Assets of Governmental Activities	<u><u>\$ 175,765</u></u>
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CALDWELL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

CALDWELL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

	Business-Type Activities - Enterprise Fund	Jail Canteen Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 33,057	
Total Current Assets	<u>33,057</u>	
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	\$ 11,000	
Less Accumulated Depreciation	<u>(1,857)</u>	
Total Noncurrent Assets	<u>\$ 9,143</u>	
Total Assets	<u>\$ 42,200</u>	
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 9,143	
Unrestricted	33,057	
Total Net Assets	<u>\$ 42,200</u>	

The accompanying notes are an integral part of the financial statements.

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CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CALDWELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 45,024
Total Operating Revenues	<u>\$ 45,024</u>
Operating Expenses	
Cost of Sales	\$ 24,137
Educational and Recreational Personnel Costs	
Depreciation	1,857
Miscellaneous	<u>13,603</u>
Total Operating Expenses	<u>39,597</u>
Operating Income (Loss)	<u>\$ 5,427</u>
Nonoperating Revenues (Expenses)	
Interest Income	\$ 188
Inmate Pay From State	
Inmate Refunds	
Total Nonoperating Revenues (Expenses)	<u>\$ 188</u>
Change In Net Assets	5,615
Total Net Assets - Beginning (restated)	<u>36,585</u>
Total Net Assets - Ending	<u><u>\$ 42,200</u></u>

The accompanying notes are an integral part of the financial statements.

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CALDWELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CALDWELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 45,024
Cost of Sales,	(24,137)
Miscellaneous	(7,103)
Net Cash Provided By Operating Activities	<u>\$ 13,784</u>
Cash Flows From Capital and Related Financing Activities	
Truck Purchase After Trade In Allowance	\$ (6,500)
Net Cash (Used) Provided By Capital and Related Financing Activities	<u>\$ (6,500)</u>
Cash Flows From Investing Activities	
Interest Earned	\$ 188
Net Cash Provided By Investing Activities	<u>\$ 188</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 7,472
Cash and Cash Equivalents - July 1	<u>25,585</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 33,057</u></u>

The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

	Business-Type Activities - Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Jail Canteen Fund
Operating Income (Loss)	\$ 5,427
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Allowance	6,500
Depreciation Expense	1,857
Net Cash Provided By Operating Activities	<u>\$ 13,784</u>

The accompanying notes are an integral part of the financial statements.

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CALDWELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

CALDWELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	<u>Agency Fund</u>
	<u>Flexible</u>
	<u>Spending Account</u>
	<u>Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 6,644
	<u> </u>
Total Assets	<u>\$ 6,644</u>
Liabilities	
Amounts Held In Custody For Others	\$ 6,644
Total Liabilities	<u>\$ 6,644</u>

The accompanying notes are an integral part of the financial statements.

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**NOTES
TO THE FINANCIAL STATEMENTS**

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CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Caldwell County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

C. Caldwell County Elected Officials Not Part Of Caldwell County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Caldwell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Caldwell County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for the non-administrative expenses of the county. The primary sources of revenue for this fund are coal severance and mineral taxes collected by the state, other state grants received for litter abatement, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Jail Fund, Grant Fund, and Ambulance Fund, which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Caldwell County has one agency fund, the Payroll Revolving Fund and the Flexible Spending Account Fund. The Flexible Spending Account Fund is used to account for employees' monies held by the county for medical reimbursement purposes only. Unlike other funds this agency fund report assets and liabilities only; therefore, it has no measurement focus.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10 - 60
Buildings and Building Improvements	\$ 25,000	10 - 75
Machinery and Equipment	\$ 2,500	3 - 25
Vehicles	\$ 2,500	5 - 15
Infrastructure	\$ 20,000	10 - 50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Caldwell County Fiscal Court:

Pennyrile Emergency Assistance Center

The Caldwell County Fiscal Court has retained an ongoing financial responsibility for the Pennyrile Emergency Assistance Center. The Center is a joint venture between the Fiscal Court and the City of Princeton "to provide a centralized dispatch service for cooperative ambulance, fire, rescue, emergency, and law enforcement agencies" within the county and the city. The Fiscal Court and the City of Princeton are each responsible for fifty percent of the basic administration included in the budget of the Center. During fiscal year 2005, the Fiscal Court paid \$ 72,000 to the Center.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Concluded)

J. Joint Ventures (concluded)

Pennyriple Westpark Industrial Development Authority

The Caldwell County Fiscal Court has retained an ongoing financial responsibility for the Pennyriple Westpark Industrial Development Authority (Park). The Pennyriple Westpark Industrial Development Authority is a joint venture between the Fiscal Court and the Counties of Crittenden, Livingston, Lyon, and Trigg "for the purpose of acquiring and developing land, marketing sites, and assisting and supporting tenants at the Park in order to stimulate and promote economic development in the jurisdictions". All parties are responsible for fifteen percent of the basic administration included in the budget of the Park except for Lyon County, which is responsible for forty percent. During fiscal year 2005, the Fiscal Court did not pay the Park any funds due to there not being any activity within the organization for the year.

K. Jointly Governed Organizations

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility are considered to be jointly governed organizations. Based on these criteria, the following are considered to be jointly governed organizations of the Caldwell County Fiscal Court: Princeton-Caldwell County Industrial Development Authority and the City-County Park.

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risks-Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposit may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). These requirements were met, however, as of June 30, 2005, the collateral and the FDIC insurance together did not equal or exceed the amount on deposit, leaving \$165,810 of the bank balance of \$1,527,667 exposed to custodial credit risk as follows:

- Uninsured and unsecured - \$165,180

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 188,950	\$ 212,522	\$ (49,750)	\$ 351,722
Construction In Progress				
Total Capital Assets Not Being Depreciated	188,950	212,522	(49,750)	351,722
Capital Assets, Being Depreciated:				
Buildings	5,579,199	114,930	(500,000)	5,194,129
Vehicles and Equipment	1,065,331	316,452	(37,500)	1,344,283
Infrastructure	369,388	198,127		567,515
Total Capital Assets Being Depreciated	7,013,918	629,509	(537,500)	7,105,927
Less Accumulated Depreciation For:				
Land Improvements		(7,023)		(7,023)
Buildings	(639,223)	(93,995)	26,667	(706,551)
Vehicles and Equipment	(481,111)	(125,840)	35,450	(571,501)
Infrastructure	(13,981)	(23,888)		(37,869)
Total Accumulated Depreciation	(1,134,315)	(250,746)	62,117	(1,322,944)
Total Capital Assets, Being Depreciated, Net	5,879,603	378,763	(475,383)	5,782,983
Governmental Activities Capital Assets, Net	\$ 6,068,553	\$ 591,285	\$ (525,133)	\$ 6,134,705
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$	\$ 11,000	\$	\$ 11,000
Total Capital Assets Being Depreciated		11,000		11,000
Less Accumulated Depreciation For:				
Vehicles and Equipment		(1,857)		(1,857)
Total Accumulated Depreciation		(1,857)		(1,857)
Total Capital Assets, Being Depreciated, Net		9,143		9,143
Business-Type Activities Capital Assets, Net	\$ 0	\$ 9,143	\$ 0	\$ 9,143

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 64,850
Protection to Persons and Property	47,219
General Health and Sanitation	58,299
Recreation and Culture	3,327
Roads, Including Depreciation of General Infrastructure Assets	<u>77,051</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 250,746</u>

Business-Type Activities

Jail Canteen	<u>\$ 1,857</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,857</u>

Note 4. Short-term Debt

In July 2004, Caldwell County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$ 1,436,500, with principal being due in January 2005.

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities</u>				
Kentucky Advance Revenue Program	\$	\$ 1,436,500	\$ 1,436,500	\$
Governmental Activities Short-term Liabilities	\$ 0	\$ 1,436,500	\$ 1,436,500	\$ 0

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt

A. General Obligation Refunding Bonds, Series 1999 (Hospital Revenue Bonds)

The fiscal court issued Series 1999 bonds in the amount of \$ 3,175,000 for the purpose of refunding Series 1996 bonds. Interest on the bonds is payable each January and July 1, beginning January 1, 2000. The bonds were issued in principal amounts of \$ 5,000 and integral multiples thereof and mature at various dates beginning January 1, 2000 through January 1, 2024. The bonds are subject to redemption prior to maturity. Bonds and interest outstanding as of June 30, 2005 are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 85,000	\$ 140,150
2007	90,000	136,240
2008	95,000	131,560
2009	100,000	126,620
2010	105,000	122,320
2011-2015	610,000	536,340
2016-2020	785,000	318,938
2021-2024	800,000	112,884
Totals	<u>\$ 2,670,000</u>	<u>\$ 1,625,052</u>

B. Courthouse Annex

The Caldwell County Fiscal Court has entered into a lease purchase agreements with Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of the courthouse annex for \$ 215,000. The terms of the lease agreement are 15 annual principal payments and monthly interest payments at an interest rate of 5.69%. The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2005. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2006	\$ 17,000	\$ 5,701
2007	17,000	4,560
2008	19,000	3,363
2009	19,000	2,199
2010	20,000	783
Totals	<u>\$ 92,000</u>	<u>\$ 16,606</u>

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

C. Ambulance Service Building

The Caldwell County Fiscal Court has entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust Program (KACoLT) for the construction of an ambulance building for \$ 300,000. The terms of the lease agreement are 15 annual principal payments with monthly interest payments at an interest rate of 5.35%. The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2005. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 22,000	\$ 8,723
2007	23,000	7,293
2008	24,000	5,801
2009	25,000	4,244
2010	26,000	2,624
2011	26,000	967
Totals	\$ 146,000	\$ 29,652

D. Fire Truck

In November 2003, the Caldwell County Fiscal Court refinanced \$ 137,000 with the Kentucky Area Development District Leasing Fund (KADD). The original lease purchase agreement for \$ 200,000 was signed in April 1999 for the purchase of a fire truck. The terms of the lease agreement are biannual principal and interest payments due in November and May with an average interest rate of 3.07%. The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2005. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 22,000	\$ 2,730
2007	23,000	2,135
2008	24,000	1,490
2009	23,000	916
Totals	\$ 92,000	\$ 7,271

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

E. Fire Equipment

In March 2003, the Caldwell County Fiscal Court entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of fire equipment for \$ 80,000. The terms of the lease agreement are 5 annual principal payments with monthly interest payments at an interest rate of 2.67%. The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2005. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 16,000	\$ 1,419
2007	16,000	883
2008	17,000	332
Totals	\$ 49,000	\$ 2,634

F. E-911 Software

In September 2003, the Caldwell County Fiscal Court entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust Program (KACoLT) for the purchase of E-911 equipment for \$ 142,840. The terms of the lease agreement are 5 annual principal payments with monthly interest payments at a variable rate. The Fiscal Court was in compliance with the terms of the agreement as of June 30, 2005. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 28,537	\$ 3,259
2007	29,498	2,031
2008	30,492	762
Totals	\$ 88,527	\$ 6,052

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 2,750,000	\$	\$ 80,000	\$ 2,670,000	\$ 85,000
Financing Obligations	888,788		421,261	467,527	105,537
Governmental Activities					
Long-term Liabilities	\$ 3,638,788	\$ 0	\$ 501,261	\$ 3,137,527	\$ 190,537

Note 6. Interest on Long-Term Debt and Financing Obligations

Interest on Long-Term Debt on the Statement of Activities includes \$219,285 in interest on financing obligations and general obligation bonds.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

The Caldwell County Fiscal Court has elected to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 8. Deferred Compensation (Continued)

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2005, Caldwell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Prior Period Adjustments

The prior year audit report listed a vehicle under governmental activities which was actually used for business-type activities. The effect of this change on the beginning net assets of the governmental and business type activities is a decrease of \$ 5,500 and an increase of \$ 11,000 respectively. The road fund balance of \$664,028 has been adjusted to excluded \$11 for a prior period adjustment.

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CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,555,530	\$ 1,555,530	\$ 1,738,623	\$ 183,093
In Lieu Tax Payments	34,600	34,600	36,641	2,041
Excess Fees	470	470	3,029	2,559
Licenses and Permits	1,700	29,996	43,726	13,730
Intergovernmental Revenue	1,585,436	1,923,808	1,080,179	(843,629)
Miscellaneous	10,588	41,372	49,052	7,680
Interest	5,500	5,500	22,502	17,002
Total Revenues	\$ 3,193,824	\$ 3,591,276	\$ 2,973,752	\$ (617,524)
EXPENDITURES				
General Government	\$ 946,444	\$ 1,101,081	\$ 824,909	\$ 276,172
Protection to Persons and Property	973,060	1,108,672	753,938	354,734
General Health and Sanitation	41,159	41,159	40,325	834
Social Services	18,400	18,400	17,700	700
Recreation and Culture	76,000	184,264	101,592	82,672
Airports	7,500	15,240	15,241	(1)
Debt Service	678,871	678,952	688,500	(9,548)
Capital Projects	500	500	241,614	(241,114)
Administration	371,566	360,684	342,476	18,208
Total Expenditures	\$ 3,113,500	\$ 3,508,952	\$ 3,026,295	\$ 482,657
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	\$ 80,324	\$ 82,324	\$ (52,543)	\$ (134,867)
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds				
Transfers From Other Funds	\$ 88,392	\$ 88,392	\$ 88,392	\$ (0)
Transfers To Other Funds	(550,382)	(552,382)	(432,840)	119,542
Total Other Financing Sources (Uses)	\$ (461,990)	\$ (463,990)	\$ (344,448)	\$ 119,542
Net Changes in Fund Balance	\$ (381,666)	\$ (381,666)	\$ (396,991)	\$ (15,325)
Fund Balance - Beginning	381,666	381,666	863,326	481,660
Fund Balance - Ending	\$ 0	\$ 0	\$ 466,335	\$ 466,335

CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

ROAD AND BRIDGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 827,633	\$ 967,133	\$ 962,327	\$ (4,805)
Miscellaneous	1,500	1,500	12,582	11,082
Interest	2,600	2,600	4,622	2,022
Total Revenues	<u>\$ 831,733</u>	<u>\$ 971,233</u>	<u>\$ 979,531</u>	<u>\$ 8,298</u>
EXPENDITURES				
Roads	\$ 979,421	\$ 1,238,475	\$ 297,274	\$ 941,201
Road Facilities				
Capital Projects			455,368	(455,368)
Administration	249,217	129,663	102,812	26,852
Total Expenditures	<u>\$ 1,228,638</u>	<u>\$ 1,368,138</u>	<u>\$ 855,453</u>	<u>\$ 512,685</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(396,905)</u>	<u>(396,905)</u>	<u>124,078</u>	<u>520,983</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(88,392)</u>	<u>(88,392)</u>	<u>(88,392)</u>	
Total Other Financing Sources (Uses)	<u>(88,392)</u>	<u>(88,392)</u>	<u>(88,392)</u>	
Net Changes in Fund Balance	(485,297)	(485,297)	35,686	520,983
Fund Balance - Beginning	<u>485,297</u>	<u>485,297</u>	<u>664,028</u>	<u>178,730</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 699,713</u>	<u>\$ 699,713</u>

CALDWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental Revenue	\$ 118,503	\$ 141,959	\$ 172,603	\$ 30,644
Miscellaneous	2,600	2,600	1,545	(1,055)
Interest	600	600	1,069	469
Total Revenues	<u>\$ 121,703</u>	<u>\$ 145,159</u>	<u>\$ 175,217</u>	<u>\$ 30,058</u>
EXPENDITURES				
General Government	\$ 27,601	\$ 27,827	\$ 23,792	\$ 4,035
Protection to Persons and Property	103,000	124,450	100,200	24,250
General Health and Sanitation	39,263	62,719	39,970	22,749
Social Services	2,500	2,500	927	1,573
Roads	40,000	38,985	37,874	1,111
Capital Projects	15,000	9,000	15,700	(6,700)
Administration	30,010	15,349	10,907	4,442
Total Expenditures	<u>\$ 257,374</u>	<u>\$ 280,830</u>	<u>\$ 229,370</u>	<u>\$ 51,460</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (135,671)</u>	<u>\$ (135,671)</u>	<u>\$ (54,153)</u>	<u>\$ 81,518</u>
Net Changes in Fund Balances	\$ (135,671)	\$ (135,671)	\$ (54,153)	\$ 81,518
Fund Balances - Beginning	<u>135,671</u>	<u>135,671</u>	<u>214,838</u>	<u>79,167</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 160,685</u>	<u>\$ 160,685</u>

CALDWELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**CALDWELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

CALDWELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	<u>Jail Fund</u>	<u>Grant Fund</u>	<u>Ambulance Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 26,031	\$	\$ 28,044	\$ 54,075
Total Assets	<u>\$ 26,031</u>	<u>\$ 0</u>	<u>\$ 28,044</u>	<u>\$ 54,075</u>
FUND BALANCES				
Reserved For:				
Encumbrances	\$ 4,841	\$ -	\$ -	\$ 4,841
Unreserved:				
Special Revenue Funds	<u>21,190</u>	<u>-</u>	<u>28,044</u>	<u>49,234</u>
Total Fund Balances	<u>\$ 26,031</u>	<u>\$ 0</u>	<u>\$ 28,044</u>	<u>\$ 54,075</u>

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CALDWELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

CALDWELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	<u>Jail Fund</u>	<u>Grant Fund</u>	<u>Amulance Fund</u>	<u>Total Non-Major Governmental Funds</u>
REVENUES				
Taxes	\$	\$	\$ 41,718	\$ 41,718
Intergovernmental	154,642	129,350	72,893	356,885
Charges for Services	78,812			78,812
Miscellaneous	8,427		1,150	9,577
Interest	231		86	317
Total Revenues	<u>\$ 242,112</u>	<u>\$ 129,350</u>	<u>\$ 115,847</u>	<u>\$ 487,309</u>
EXPENDITURES				
Protection to Persons and Property	\$ 361,129	\$	\$ 263,835	\$ 624,965
Debt Service			32,046	32,046
Capital Projects		129,350		129,350
Administration	109,980			109,980
Total Expenditures	<u>\$ 471,109</u>	<u>\$ 129,350</u>	<u>\$ 295,881</u>	<u>\$ 896,340</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>\$ (228,997)</u>	<u>\$ -</u>	<u>\$ (180,034)</u>	<u>\$ (409,031)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	\$ 230,000	\$	\$ 202,840	\$ 432,840
Total Other Financing Sources (Uses)	<u>\$ 230,000</u>	<u>\$</u>	<u>\$ 202,840</u>	<u>\$ 432,840</u>
Net Change in Fund Balances	\$ 1,003	\$ -	\$ 22,806	\$ 23,809
Fund Balances - Beginning	25,028		5,238	30,266
Fund Balances - Ending	<u>\$ 26,031</u>	<u>\$ 0</u>	<u>\$ 28,044</u>	<u>\$ 54,075</u>

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CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2005

**CALDWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Caldwell County, Kentucky.
2. No reportable conditions relating to the internal control of the audit of the financial statements were reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Caldwell County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Caldwell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Caldwell County.
7. The program tested as a major program was the Hazmat II Program (CFDA 97.004)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Caldwell County was not determined to be a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS – BASIC FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. PRIOR YEAR FINDINGS

None

CALDWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Fiscal Year Ended
June 30, 2005

CALDWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2005

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
Department of Homeland Security Homeland Security Domestic Preparedness/Hazmat (97.004)	M 04601124	\$ 707,688
Department of Housing and Urban Development Community Development Block Grant Waterline Project (14.228)	97-D18	129,350
		<hr/>
Total Cash Expenditures of Federal Awards		<u><u>\$ 837,038</u></u>

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CALDWELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2005

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Caldwell County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Van Knight, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Caldwell County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 24, 2006. Caldwell County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Caldwell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Caldwell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed no instances of material noncompliance or other matter that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Krista L. Romaine, CPA

Krista L. Romaine, CPA
Romaine & Associates, PLLC

Audit fieldwork completed -
February 24, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Van Knight, Caldwell County Judge/Executive
Members of the Caldwell County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Caldwell County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Caldwell County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Caldwell County's management. Our responsibility is to express an opinion on Caldwell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Caldwell County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Caldwell County's compliance with those requirements.

In our opinion, Caldwell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Caldwell County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Caldwell County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Krista L. Romaine, CPA

Krista L. Romaine, CPA
Romaine & Associates, PLLC

Audit fieldwork completed -
February 24, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CALDWELL COUNTY FISCAL COURT

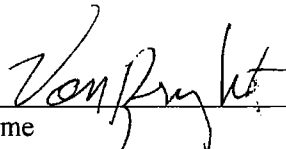
**For The Fiscal Year Ended
June 30, 2005**

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC PROGRAM
CALDWELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2005

The Caldwell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer